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AICPA *Washington Report*

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FEDERAL HOME LOAN BANK BOARD

Regulatory capital requirements for insured institutions is the subject of an FHLBB proposed rule (see the 12/23/88 Fed. Reg., p. 51800-20). The purpose of the proposed rule, the FHLBB said, is to ensure that the thrift industry is adequately capitalized in order to protect the FSLIC and to ensure the financial strength of each institution as well as the industry. The proposal addresses two major issues: 1) how much capital should be required for thrift institutions, and 2) what should count as capital for thrift institutions. If the rule is adopted, thrifts without large amounts of collateralized borrowings will have a total capital requirement that is expected to equal 8% of risk-weighted assets. The proposed rule would expand the current provisions addressing credit risk, interest rate risk, and off-balance sheet risk. A system of risk-weighted assets for on-balance sheet assets is established. Assets will be assigned to risk categories based on the degree of credit risk associated with the obligor or nature of the obligation. The differences between this proposed rule and the guidelines proposed by the banking regulators are most significant in the following areas: interest-rate risk, the treatment of intangible assets and equity-risk investments, collateralized borrowings, and the allowable components of capital. Comments are due on or before 3/23/89 and should be submitted to the Director, Information Services Division, Office of the Secretariat, Federal Home Loan Bank Board, 1700 G Street, N.W., Washington, D.C. 20552. For further information after reading the proposed rule, contact Robert Fishman at the FHLBB at 202/331-4592.

SMALL BUSINESS ADMINISTRATION

Economic challenges facing small business in the next fifteen years is the topic of "Small Business in the American Economy," a report recently published by the SBA's Office of Advocacy. The report also focuses on the role of small business in the manufacturing industry, job training in small and large firms, and the business ownership of women and minorities. In the report, the SBA states that changing demographics, technological advances, and the internationalization of the American economy are among major trends that are likely to affect small business during the coming decade. According to the SBA, these changes will result in the need for small businesses to increase productivity "by increasing the quantity or quality of capital, improving the quality of the work force, or improving management skills." The report, GPO document 045-000-00252-7, is available at a cost of \$6.50 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, 202/783-3238.

The establishment of the Small Business Competitiveness Demonstration Program under Title VII of the Business Opportunity Development Reform Act of 1988 is the subject of an interim policy directive promulgated by the SBA and the Office of Management and Budget (see the 12/29/88 Fed. Reg., p. 52889-96). Title VII alters Subpart 19.5 of the Federal Acquisition Regulation that requires that Federal agencies set aside procurements for exclusive small business participation when two or more small businesses are capable of providing the goods or services at a reasonable price. This new program tests the effectiveness of eliminating set-asides in four industries--construction, architectural and engineering services, non-nuclear ship repair, and refuse collection. The program has two major goals: 1) To demonstrate whether small business firms in certain industry groups can

compete successfully on an unrestricted basis for Federal contracts; and 2) To demonstrate whether targeted goaling and management techniques can expand Federal contract opportunities for small business in industry categories where such opportunities historically have been low. The effective date of the interim policy directive is 1/1/89 and comments are due on or before 2/15/89. For further information after reading the interim policy directive, contact Karen Maris at the SBA at 202/395-3300.

TREASURY, DEPARTMENT OF

A public hearing has been scheduled on proposed regulations providing rules for the exchange, distribution, or transfer of U.S. real property interests without recognition of gain under the Foreign Investment in Real Property Tax Act of 1980, the IRS announced (see the 1/12/89 Fed. Reg., p. 1189). The proposed regulations also treat interests in certain partnerships as entirely U.S. real property interests for purposes of withholding on the proceeds from dispositions of such interests (see the 5/9/88 Wash. Rpt.). In addition, the proposed regulations provide rules with respect to the treatment of interests in publicly traded corporations. The hearing is scheduled for 3/1/89 beginning at 10:00 a.m. in the IRS Auditorium, 7th Floor, 7400 Corridor, Internal Revenue Building, 1111 Constitution Ave., N.W., Washington, D.C. Requests to speak and outlines of comments must be submitted no later than 2/15/89. For further information after reading the meeting notice, contact Carol Savage at the IRS at 202/566-3935.

SPECIAL: INTERNAL REVENUE CODE SECTION 4980A SUBJECT OF AICPA PRACTICE GUIDE

A practice guide to assist CPAs in determining whether a grandfather election should be made under the excess retirement distribution excise tax is being prepared by the Pension Distribution Task Force of the AICPA Tax Division's Employee Benefits Subcommittee. The practice guide pertains to section 4980A of the Internal Revenue Code and provides an analysis of the law, observations concerning the grandfather election, and a worksheet to help practitioners determine a client's 8/1/86 retirement plan balances. A copy of the practice guide will be mailed to all members of the AICPA Tax Division at the end of January. Copies of the practice guide are available to other individuals at a charge of \$5.00 each by sending a check and a self-addressed 9 x 12 envelope to Section 4980A Practice Guide, AICPA, P.O. Box 2626, Times Square Station, New York, NY 10108-1035. Tax Division members may also obtain additional copies by following the outlined procedure.

SPECIAL: HOUSE SMALL BUSINESS COMMITTEE TO HOLD HEARINGS ON NEW EMPLOYEE BENEFIT RULES

The impact of new employee benefit rules on small business will be the subject of hearings announced by House Committee on Small Business Chairman John LaFalce (D-NY). According to Chairman LaFalce, the hearings will focus on the difficulties small businesses face in complying with new employee benefit rules under Section 89 of the Internal Revenue Code. The hearings are intended to examine the compliance burden of Section 89 and explore alternative ways to simplify the employee benefit rules to achieve the goal of expanding health insurance coverage

to the entire workforce. In announcing the hearings, Chairman LaFalce expressed concern that "because of the extreme complexity of the benefit tests and the costly administrative burden they impose, the new law will discourage small businesses from offering health insurance coverage." Witnesses scheduled to testify at the hearings include officials from the Treasury Department, as well as representatives of small business and pension organizations. The hearings are scheduled to take place on 1/24-25/89, and will begin at 10:00 a.m. in Room 2359-A of the Rayburn House Office Building, Washington, D.C. For further information about the hearings, contact Dick DeLouise at 202/225-6020.

SPECIAL: HOUSE ENERGY AND COMMERCE COMMITTEE ACTIVITY REPORT FOR 100TH CONGRESS RELEASED

A report about the House Energy and Commerce Committee's activities during the 100th Congress has been released. House Report 100-1114 includes a summary of each subcommittee's hearings and a status report of all the measures considered by the committee. Hearings of interest to the accounting profession held by the Subcommittee on Oversight and Investigations included the following subjects--failure of the ZZZZ Best Company, the Treadway Commission report, and the SEC response to it, leveraged buyouts, and procurement abuses by major defense contractors. Hearings of interest held by the Subcommittee on Telecommunications and Finance included the following subjects--financial planning, the Foreign Corrupt Practices Act section of the trade bill, the U.S.-Canada Free Trade Agreement, and oversight of self-regulation in the securities industry. The report also includes an appendix listing all the committee's printed hearing records. Copies of House Report 100-1114 are available by writing the Energy and Commerce Committee's Documents Clerk, Room B334, Rayburn House Office Building, Washington, D.C. 20515 or by calling the Documents Clerk at 202/225-0222.

For further information contact Shirley Twillman at 202/737-6600.

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